

SEC77

To: Drew McKnight[dmcknight@fortress.com]
 Cc: Pete Briger[pete@fortress.com]
 From: Michael Hourigan
 Sent: Mon 6/26/2017 9:18:25 PM
 Importance: Normal
 Subject: RE: Kik Allocation

This worries me. Let's see what the CEO says when we meet with him tomorrow, but I'm not bullish on Kik's prospects as a company, so the lock-up is a big negative.

My negative medium-term view on Kik: they have raised \$120M in VC funding, most recently a \$50M Series D in 2015 led by TenCent. They also hired Frank Quattrone's firm (Qatalyst Partners) to try to sell themselves in 2015 and likely had no bid. Now they have burned through the \$50M from TenCent and would be looking at a significant down round (at best) in the venture world as their user base is shrinking and they've lost all momentum. In my opinion, this ICO plan to create Kin currency was essentially a Hail Mary to try to reignite their dormant user base.

Compared to other ICOs, Kik has a real product/user base/VC investor base etc., which should generate hype around the ICO and make it fairly easy to flip. But holding this for 1-2 years is scary to me. I have to think about this more, but my initial reaction is negative. Maybe the lock-up could support the price in the near-term and allow us to flip out of the half that's not locked up at a higher price, but then we're still stuck with the rest for 1-2 years, which could end up being a turd.

From: Drew McKnight
 Sent: Monday, June 26, 2017 5:39 PM
 To: Michael Hourigan
 Cc: Pete Briger
 Subject: Fwd: Kik Allocation

FYI- what do you think?

Sent from my iPhone

Begin forwarded message:

From: Dan Morehead <dan@panteracapital.com<mailto:dan@panteracapital.com>>
 Date: June 26, 2017 at 5:01:17 PM PDT
 To: Drew McKnight <dmcknight@fortress.com<mailto:dmcknight@fortress.com>>
 Cc: Pete Briger <pete@fortress.com<mailto:pete@fortress.com>>, Marc Furstein <mfurstein@fortress.com<mailto:mfurstein@fortress.com>>
 Subject: RE: Kik Allocation

None of the previous ICO pre-sales had any lockup -- nor did the original term sheet. So, yeah, bitter pill to swallow. However, I think it is likely to up more than 2x so can lock in a gain.

Dan

-----Original Message-----

From: Drew McKnight [mailto:dmcknight@fortress.com]
 Sent: June 26, 2017 4:55 PM
 To: Dan Morehead <dan@panteracapital.com<mailto:dan@panteracapital.com>>
 Cc: Pete Briger <pete@fortress.com<mailto:pete@fortress.com>>, Marc Furstein <mfurstein@fortress.com<mailto:mfurstein@fortress.com>>
 Subject: Re: Kik Allocation

Dan- Do you guys have a model for KIK from a business perspective or is your thought you can take basis out with the 1/2 that isn't locked up and just a punt on the balance? ICOs are a great way to access capital, but 1-2 years out you need this messenger app to be relevant, no?



Sent from my iPhone

On Jun 26, 2017, at 4:49 PM, Dan Morehead
<dan@panteracapital.com<mailto:dan@panteracapital.com><mailto:dan@panteracapital.com>>
wrote:

Pete and Drew,

I got a call from the COO of Kik - saying that they changed the terms of the pre-sale. It's no longer the first \$25mm at 35% and \$25mm at 25%. They are doing the whole thing at 30% and cutting back investors from the levels agreed in the non-binding terms sheet (attached). Pantera had agreed \$20mm - of which \$3mm was going to your group and \$4mm to Jed McCaleb (either directly or via our fund) -- so \$13mm for Pantera ICO Fund.

In our case they want to cut Pantera to \$10mm. They said they planned cut your and Jed's allocations, but wouldn't share with me the amount.

They also said that they want to lock up half of the amount - one quarter for 1 year and one quarter for 2 years.

I think it's going to trade much higher so I'm not willing to walk (and of course, willing to absorb yours if you want to). Any thoughts on how to maintain our size and pricing?

Regards,

Dan

DAN MOREHEAD
CEO

[REDACTED]

P A N T E R A

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